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Low water on the lower Columbia River

Photo by Nick Christmas

STAFF, CUSTOMERS REACH PARTIAL RATES SETTLEMENT

All BPA customers would see their power rates adjusted twice a year under a partial power rates settlement announced Feb. 20. A group of customers proposed the 2002-2006 wholesale power rate settlement. The settlement would adjust rates regularly to reflect BPA's actual cost of serving customers' loads.

"We are extremely grateful to our customers for their exceptionally constructive response to the rates issue," BPA Senior Vice President for Power Paul Norman said. "Based on their suggestion, we are proposing a major change in direction."

The customer/staff proposal comes after several months of discussion during which it became clear that BPA rate increases could average 60 percent or more over the five-year period. Two developments have been driving BPA's rates upward. First is the amount of load that customers put on BPA, which exceeded expectations. Second is the unprecedented rise in wholesale market prices for power. To augment its existing resources, BPA must buy power in this extremely volatile market.

BPA's analysis of the customer proposal shows a wide range of potential rate impacts, from a 0.7 percent increase for 500 megawatts of power in a \$30 per megawatt-hour market, to a 453 percent increase for 3,000 MW in a \$325 per MWh market. Actual rates would likely lie between, depending on market conditions, customer utility actions, consumer energy conservation and BPA management actions. "The goal," as Norman put it, "is to move from the lower left-hand quadrant to the upper right-hand quadrant" of the chart. (See chart next page.)

"This proposal effectively addresses the turbulent market we are operating in," Norman said. "Our task now," he continued, "is to achieve a regional agreement on how we are going to reduce the amount of power we have to buy and the price we have to pay. That will help us get the rate increase down to a level that will minimize the negative impact on the Northwest economy while protecting the environment."



BPA Assessment of Joint Customer Rate Proposal

Loaded Base CRAC Percentages

	3,000 aMW	2,500 aMW	2,000 aMW	1,500 aMW	1,000 aMW	500 aMW
\$/MWh						
\$30	9.3%	7.7%	5.9%	3.8%	1.4%	0.7%
\$50	39.3%	34.2%	28.4%	21.8%	14.3%	7.6%
\$75	76.9%	67.4%	56.6%	44.4%	30.4%	16.2%
\$125	152.0%	133.7%	113.0%	89.5%	62.5%	33.5%
\$225	302.3%	266.3%	225.8%	179.8%	126.9%	68.0%
\$325	452.6%	399.0%	338.6%	270.1%	191.2%	102.5%

BPA rates could swing widely under a customer-proposed partial settlement, depending on market prices for power and how much BPA has to buy to meet its loads. BPA's goal is to move toward the upper right-hand quadrant of the chart.

RATE CASE CONTINUES

The proposed wholesale power rates settlement addresses many issues but does not settle all of them, nor has it been signed by all the parties to the rate case. A Supplemental Proposal has been filed. BPA expects to complete the rate case by June 20. Rates will be submitted to the Federal Energy Regulatory Commission by July 1 for review before rates go into effect on Oct. 1. FERC reviews BPA's rates to ensure they cover BPA's costs, including the ability to make Treasury payments on time and in full.

CONSERVATION, LOAD REDUCTION TOP IMMEDIATE ACTIONS LIST

Conservation and load reduction are the most immediate tools BPA has to maintain power system reliability, reduce power purchase costs and save water for fish needs. BPA has spent more than \$400 million this winter curtailing industrial load, and by summer, expects curtailment of about 1,800 megawatts of the 2,100 MW of direct-service industry load it serves. Two-for-one energy exchanges with California have from Northwest reservoirs. Northwest citizens have responded significantly to calls for energy conservation. Loads during a mid-January cold snap were 2 percent lower than expected – saving the output of a combustion turbine.

DO CONSERVATION DISCOUNTS NOW!

BPA is inviting its customers to take actions now that they can count toward BPA's conservation and renewable resources discount in their rates starting in October. "This is a program we had intended to start next fall, but with the current shortage, we are offering it

immediately," said Acting Administrator Steve Wright. Over \$200 million will be available to fund conservation and renewable energy activities in the next five years from the discount. For details, see BPA's Web site at <http://www.bpa.gov/Energy/N/c&r.htm>.


"With the launch of the conservation and renewables discount, all three main thrusts of our 2002-2006 program are now in effect," John Pyrch, acting vice president for energy efficiency, explained. "We and our customers want to install savings sooner, not later, and reduce the amount of power we have to buy in the next rate period." BPA's budget for conservation and renewable energy efforts in 2002-2006 now comes to \$465 million. The other two main conservation efforts are conservation augmentation, where customers propose conservation activities to achieve savings, and the demand exchange, which pays customers for load reductions during peak-use periods.

BPA SEEKS WIND POWER PROPOSALS

BPA is looking for perhaps 1,000 megawatts of new renewable wind power, fast. On Feb. 22, BPA sent out a request for proposals for new large-scale wind power projects. "We want as much power as fast as we can get it to help alleviate the energy shortage," said George Darr, BPA's renewable resource program manager. The request set a minimum of 15 average megawatts (about 40 to 60 megawatts of capacity) for a project. But, said Darr, "We strongly prefer larger projects with the potential for expansion." Proposals are due by April 6.

NEXT UP: IRRIGATION LOAD BUY DOWN

BPA is working to help farmers reduce the electricity they use for irrigation this summer and help them-



selves and the power grid in the process. Eastern Hub manager Rick Itami is developing a new irrigation load buy back program. "It's like the Voluntary Load Reduction Program," Itami said. "We'd pay our customers – and they'd pay the farmers – not to use power they'd otherwise consume." Farmers would be paid to reduce their irrigation loads by a specific amount, compared to earlier years. To do this, they could switch to non-irrigated crops or leave land fallow. BPA expects to offer the program to reduce irrigation loads from May through September this year.

TRANSMISSION INTEGRATION REQUESTS POUR IN

BPA has received requests for transmission integration studies for more than 13,000 megawatts of new generating capacity at sites around the Northwest. More are pouring through the door. In just the last two weeks, BPA has received eight formal requests for studies on integrating new combustion turbines totaling 3,850 MW. BPA has also received numerous requests to integrate smaller generation projects of five to 50 MW in the next six to twelve months. The Transmission Business Line is informing developers that it will take at least nine to 12 months to complete the required studies.

HYDRO EMERGENCY PRINCIPLES DRAFTED

Six federal agencies have drafted proposed principles for declaring emergency Columbia River hydro power operations. The principles recognize that unprecedented power market conditions and poor water may result in emergency operations this year. Criteria for declaring a power emergency include either a threat to power system reliability due to insufficient power supply or an insufficiency of funds to purchase needed power or to fund BPA programs including fish and wildlife activities. The principles include actions that must be taken before declaring an emergency such as conservation and load reduction measures.

The National Marine Fisheries Service Biological Opinion governs how the Federal Columbia River Power System is operated. Within its bounds, decisions about spill, flow and river operations in general are made by consensus among six federal agencies based on recommendations of a state/federal technical review team. The proposed principles are consistent with the Bio-

logical Opinion, which anticipates that emergencies may occur. The federal agencies have been soliciting regional input before completing the principles. The six agencies are BPA, the U.S. Army Corps of Engineers, Bureau of Reclamation, NMFS, U.S. Fish and Wildlife Service and Environmental Protection Agency.

HICKOK REFLECTS ON THE BASICS

Sometimes, the long view is more comforting than a close-up. That's what BPA Chief Operating Officer Steve Hickok suggested at Northwest energy forum convened by Sen. Gordon Smith (R-Ore.) and Rep. Greg Walden (R-Ore.) on Feb. 21.


"The lights should be out," Hickok observed after describing the drought, the West Coast supply shortage, and what he called California's regulatory calamity. "The reason the lights are on in this room today is that more than 3,000 MW of Northwest industrial load is shut down," he said. "Bonneville, the investor-owned utilities and several of the larger municipal utilities have paid some of the most electricity-intensive industries in the region to shut down for the rest of the year."


"The drought and the double California blow of disappearing generation and stratospheric prices have caused financial bleeding in the Northwest," he continued. To get through this year, BPA is focusing on reducing loads, and, as a last resort, reshaping river flows, he said. To solve the underlying shortage, Hickok prescribed a stiff regimen of expedited generation and transmission siting, conservation and renewable resource development, optimal expansion of federal hydropower facilities, completion of RTO West and deployment of distributed generation.


But, stepping back for a longer view, Hickok noted, "Seventeen years ago, Bonneville's basic wholesale rate to its utility customers for delivered power was \$23 per megawatt-hour. Today it is \$24." The outlook for the next 17 years also indicates a decline in real prices, he suggested, due to nuclear debt retirement, fuel cost declines, technology improvement and other factors. Although the fundamentals for electric power in the Northwest are excellent, he concluded, the next two to three years could be ugly. The challenge is to find the least-cost path through the next few years. See the complete speech at <http://www.bpa.gov/Corporate/KC/palinksx/speakersx.shtml>.



PUBLIC INVOLVEMENT


STATUS REPORTS


Avian Predation on Juvenile Salmonids in the Lower Columbia River. Wash. and Ore. — Monitor and evaluate the management actions implemented to reduce avian predation on juvenile salmonids in the Columbia River estuary. 


Big Eddy-Ostrander Vegetation Management. Ore. — To control vegetation on two segments of the 500-kV transmission line right-of-way, from Lolo Pass to near Parkdale and east of Parkdale. 


Coeur d'Alene Tribe (CDA) Trout Production Facility Project. Idaho — To fund design, construction, operation and maintenance of a facility to provide off-site mitigation for losses on the mainstem Columbia River. Final 


Condon Wind Project. Ore. — To acquire about 24.5 megawatts of electricity from the proposed Condon Wind Project. The  schedule has been delayed due to possible changes in the project. 


Fish and Wildlife Implementation Plan. Regionwide — To examine potential impacts of implementing one of the fish and wildlife policy directions being considered in regional processes. 


Grande Ronde and Imnaha Spring Chinook Project. Ore. — To build egg incubation and juvenile rearing facilities next to the Lostine and Imnaha rivers and to modify the Gumboot adult collection facility and the Lookingglass Hatchery in partnership with the Nez Perce Tribe, Oregon Dept. of Fish and Wildlife and the Confederated Tribes of the Umatilla Indian Reservation. 

Johnson Creek Artificial Propagation Enhancement. Idaho — Development of a native chinook salmon broodstock for rearing of acclimated smolts to preserve and recover the population. 


Kangley-Echo Lake Transmission Line Project. Wash. — To build a 500-kV transmission line in King County to connect an existing transmission line near Kangley to Echo Lake Substation. 


Northwest Regional Power Facility. Wash. — To construct a combustion turbine near Creston. The final  (#2887) and a supplemental analysis are available. Call for a copy.


Santiam-Bethel Transmission Line Project. Ore. — To build a new 230-kV transmission line next to an existing line from the Santiam Substation to a Portland General Electric line that goes to PGE's Bethel Substation, a distance of 17 miles. 

Schultz-Hanford Area Transmission Line Project. Wash. — To build a new 500-kV line to relieve constraints on several electrical lines, provide more operational flexibility to meet endangered salmon obligations and maintain transmission capacity to import and export energy. 

Stateline Wind Project. Wash. and Ore. — Work on the EIS has been stopped. PacifiCorp has contracted with FPL Energy to buy all of the output from the project.

Umatilla Generating Project. Ore. — To integrate electrical power from a new 550-megawatt natural gas-fired combined-cycle combustion turbine generation plant proposed by the Umatilla Generating Company, LP. 

White Sturgeon Mitigation and Restoration in the Columbia and Snake Rivers Upstream From Bonneville Dam. Ore., Wash. and Idaho. — To restore and mitigate for documented lost white sturgeon productivity caused by development and operation of the hydro-power system using intensive fisheries management and modified hydrosystem operation. 

Wholesale Power Rates Amended Proposal. Regionwide — BPA and joint customers have agreed to a partial rate settlement. The rate case as a whole continues on schedule. See stories. 

CALENDAR OF EVENTS








Preserving the Benefits of the Columbia River Conference and Open Space Forum. **March 12-14.** Holiday Inn Select and Namaste Retreat and Conference Center. Wilsonville, Ore. Sponsored by BPA, Northwest Public Power Assn., Portland State University, Northwest Power Planning Council. Call NWPPA at 360-254-0109 for more information.

Load Management Forum. **March 27,** 8:30 a.m.-4 p.m. DoubleTree Hotel, SeaTac. Seattle, Wash. Sponsored by BPA, Northwest Public Power Assn., Northwest Power Planning Council.

SUPPLEMENT ANALYSES

Watershed Management Program EIS: Acquire Oxbow Ranch - Middle Fork John Day River, Ore. (SA-48)

Wildlife Mitigation Program: Acquire Jones Ranch, Malheur Wildlife Mitigation Project, Ore. (SA-13)

 Call to be added to mail list,  Note close of comment deadline,  See calendar of events. Documents listed are being prepared unless otherwise noted:  Environmental Assessment,  Environmental Impact Statement,  Finding of No Significant Impact,  Record of Decision.

FOR MORE INFORMATION OR TO GET INVOLVED: The *Journal* is a monthly newsletter of the Bonneville Power Administration for customers and interested publics. To order documents, call: 800-622-4520 or (503) 230-7334 (Portland). For questions/comments or to be added to a mail list, call: (503) 230-3478 (Portland) or 800-622-4519. Written comments may be sent to: BPA, P.O. Box 12999, Portland, OR 97212. Public Involvement, Internet, E-mail address comment@BPA.gov, BPA home page: <http://www.bpa.gov>